

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6495**

**BILL NUMBER:** HB 1097

**NOTE PREPARED:** Dec 4, 2002

**BILL AMENDED:**

**SUBJECT:** Veterans' and spouses' property tax deductions.

**FIRST AUTHOR:** Rep. Stevenson

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:**    **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill extends eligibility for the property tax deduction for World War I veterans and surviving spouses to all veterans who serve in the United States armed forces in any war or perform equally hazardous duty.

**Effective Date:** July 1, 2003.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** The state levies a tax rate for State fair and State forestry. Any reduction in the assessed value base will reduce the property tax revenue for these two funds. The revenue reduction is estimated at about \$33,000.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Under current law, *WWI* veterans or their surviving spouses may receive an assessed value (AV) deduction on their principal residence equal to \$9,000. In order to qualify, the assessed value of a veteran's home may not exceed \$78,000. There is no maximum assessment for surviving spouses who are claiming the deduction.

This bill would allow a veteran (or surviving spouse) of *any* war or hazardous duty assignment who received an other than dishonorable discharge to receive the \$9,000 deduction against the AV of their principal residence. The \$78,000 AV limit on the residence would continue to apply to a veteran's home.

According to the Census Bureau, there were approximately 459,000 veterans from Indiana who served in WWII, the Korean Conflict, Viet Nam, or the Persian Gulf. The Veterans Administration estimates that the number of these veterans still living in 2003 is approximately 400,500. However, because a surviving spouse may claim the deduction, this analysis will consider the 459,000 veterans who served as the base.

The Census Bureau reports that 71.4% of occupied housing units in Indiana are owner-occupied. Using additional Census data, it was estimated that 34% of homes will be assessed at or under \$78,000 AV beginning in 2003. When these two qualifying percentages are applied to the 459,000 veterans, an estimate of 111,500 qualifying veterans or spouses is produced. At \$9,000 per qualifying veteran, the potential additional deduction under this bill is estimated at \$1.0 B AV.

Additional deductions reduce the assessed value tax base. This causes a shift of the property tax burden from the taxpayers receiving the deductions to all taxpayers in the form of an increased tax rate. A \$1.0 B reduction in assessed value would cause an estimated \$0.0072 increase in the statewide average net tax rate in CY 2005. This translates into a property tax shift of about \$19.7 M.

Total local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** County Auditors.

**Information Sources:** U.S. Department of Veterans Affairs, Office of the Actuary; U.S. Dept. of Commerce, Bureau of the Census; Local Government Database.

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